



CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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TAX RELIEF NEEDED IN STIMULUS PACKAGE

-- Taxpayers Earning \$27,950 are Not Rich --

WASHINGTON, D.C. – Tax reduction should be a major component in any economic stimulus bill in order to lessen the drag of taxes on the weak economy, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Tax reduction would also provide direct and indirect relief to tens of millions of taxpayers, but some policy makers are opposing such measures.

“The counterproductive nature of the U.S. tax code must be considered in crafting an economic stimulus package,” Saxton said. “The current tax system imposes heavy additional economic costs at current levels of taxation. In addition to the financial cost of raising each additional dollar of revenue, these extra economic costs amount to about 40 cents on the dollar. These extra costs arise from lost production, lower consumer welfare, and compliance and enforcement expenses. Economists refer to these costs as the excess burden of taxation, and their existence is widely recognized in the economics literature. A properly designed tax reduction would reduce these excess costs.

“I wish more aggressive measures were politically possible, but proposals to accelerate the 25 percent personal income tax rate to become effective in 2002, and provide partial but still significant expensing of business investment, for example, would provide some economic stimulus and provide relief to many taxpayers. Unfortunately, some policy makers have strongly resisted such proposals arguing they unduly benefit the affluent and business firms.

“However, the proposed personal income tax rate reduction is not targeted at the rich, unless you consider single taxpayers with taxable incomes above \$27,950 rich. Married taxpayers with incomes between \$46,700 and \$112,850 are not rich either by any reasonable standard. Recent publications of the Treasury Department and the nonpartisan Congressional Research Service (CRS) confirm that the tax bracket under discussion is defined by middle class income levels.

“Similarly, hostility to business and private investment would also be an inappropriate guide to tax policy. A majority of American households now directly or indirectly own corporate stock. This has led to a significant increase in public understanding of the operation of our market economic system and the roles played by entrepreneurs and business firms. Most Americans know that their mutual funds, IRAs, 401(k)s, pension plans, and other retirement and investment assets are primarily invested in corporate stocks whose performance significantly affects their economic welfare. Perhaps this is why those recently polled supported personal and business tax relief over other approaches for economic stimulus by a 2-1 margin,” Saxton concluded.

For more information on the excess burden of taxation, please visit our website at www.house.gov/jec.

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